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A case study of letters to shareholders in annual reports before, during and after the financial crisis

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Abstract: The present study investigates changes in themes and linguistic strategies in letters to shareholders from a large Danish bank's annual reports published before, during and after the financial crisis. It draws mainly on genre theory and uses corpus linguistics as the primary method for collecting and analysing data. The study investigates the occurrence of recurrent and idiosyncratic themes, interactional discourse markers and charged and neutral words across three periods of time: before the crisis (2004-2007), during the crisis (2008-2011) and after the crisis (2012-2013). It is found that while the first (pre-crisis) and second (during crisis) periods differ from each other mainly with respect to the themes discussed in light of the developments in external circumstances and the bank's financial performance, the latter (post-crisis) period reflects a more fundamental shift in genre, manifested in a less technical vocabulary, higher frequency of interactional discourse markers and more charged words.

1 Introduction

The current study investigates changes in themes and language use in annual reports from a major Danish bank, Danske Bank, from 2004 to 2013¹. In the years before the financial crisis, the bank showed strong financial results, but like most of the banking sector in Denmark and elsewhere, it was hit hard when the financial crisis set in in 2008. As a consequence, the bank's image in the Danish population was severely damaged during the crisis. The bank fell from its pedestal: From being perceived as an extremely successful, almost infallible, financial institution with a highly skilled and professional management, the bank earned a reputation as a business whose management had taken hazardous decisions to the detriment of shareholders and customers (Andersen 2009; Nyholm, 2010; Rechnagel and Nielsen, 2009).

The assumption on which this article is based is that during the 10-year period being investigated, the development in the bank's financial performance is reflected both in the

¹ Available at Danske Bank's website, www.danskebank.com/en-uk/ir/Reports/Pages/Reports-archive.aspx#Report2013

themes discussed and in the language used in the introductory narrative section commonly referred to as the ‘letter to the shareholders’. Hence, in this article I will identify and analyse the *theme(s)* selected in the company’s description and interpretation of its financial performance in a given year in the period from 2004 to 2013, and investigate changes in how these themes are presented. Furthermore, I will analyse variation in *linguistic features*, focussing on charged words and the use of interactional discourse markers (Hyland, 1998, 2005). The findings will be discussed in the context of the company’s performance and the situation in the financial sector and in the economy in general.

2 The genre of annual reports

A primary characteristic of a genre is the communicative purpose it is intended to fulfil (Bhatia, 1993; Swales, 1990). Annual reports have been described as a complex genre serving two subordinate communicative purposes: to give a true and fair view of the company’s financial position, and to provide a positive image of the company (Ditlevsen, 2012: 97). In addition to presenting quantitative data about the company’s financial performance, the annual report is thus an argumentative text implicitly encouraging readers to invest in the company or hold on to their existing investments (Bülow-Møller, 2003).

The genre of annual reports has undergone substantial change during the past decades (Ditlevsen, 2012; Beattie, Dhanani and Jones, 2008). From being a “rather dull” (Beattie, Dhanani and Jones, 2008) document produced with the sole purpose of meeting certain statutory requirements, annual reports have developed into colourful, magazine-like documents with numerous non-statutory texts. The volume of annual reports has increased due to the growing proportion of non-financial, often non-mandatory, narrative sections and visual elements supplementing the financial statements and other statutory sections (Beattie, Dhanani and Jones, 2008; Ditlevsen, 2012).

Thus, it has been argued that the annual report has developed into a public relations document (Beattie, Dhanani and Jones, 2008), and that the practices of investor relations and public relations have to a certain extent converged (Silver, 2004; Laskin, 2009). One explanation for this development is the growth in the number of active private investors (Morris, McKay and Oates, 2009: 699), which means that annual reports are not aimed at institutional investors alone. Moreover, modern annual reports aim to reach not only investors, but also other groups of stakeholders, including employees, customers, the media and society as a whole (Subramanian, Insley and Blackwell, 1993; Laskin, 2009; Lischinsky, 2011).

2.1 Narratives in annual reports

The annual report comprises a number of subgenres. Some sections of the report contain mainly quantitative data and primarily serve to present a true and fair view of the financial situation, notably the financial statements with accompanying notes. Others contain textual elements serving mainly to present as positive an image of the company as possible (Ditlevsen, 2012). Narratives are generally used in annual reports to make complex financial and accounting content accessible to non-expert audiences (Jameson, 2000), and to allow writers to interpret quantitative data and present it in a way which is favourable to the company.

An important narrative section in annual reports is the message called ‘Letter to the shareholders’, ‘CEO’s letter’, ‘Executive letter’ or something similar. It is claimed to be the most widely read section of the report (Hyland, 1998, Crombie and Samujh 1999), and it has

been studied by a number of scholars (e.g. Hyland, 1998; Crombie and Samujh, 1999; Kohut and Segars, 1992; Thomas, 1997; Swales, 1988). The letter to the shareholders is a voluntary text usually placed as an introduction to the annual report, and it should not be confused with the obligatory and more technical 'Management's review' (Danish Financial Statements Act, 2001), or the Business Review in the UK. The letter to shareholders gives the management's evaluation of the past year and discusses the company's overall performance. Although it reports partly on quantitative data such as the revenue and the profit for the year, the letter to the shareholders is largely a subjective and promotional text (Hyland, 1998). Its communicative function is, as stated above, to present a positive corporate image, and the words and themes in the letter have been carefully selected for this purpose (Skovhus, 2011).

2.2 Presenting good and bad news in letters to the shareholders

Although letters to the shareholders overall seek to convey a positive image of the company, intuitively, the themes and language strategies should differ when comparing 'good news' and 'bad news' letters. A number of studies of annual reports have compared companies' presentation of their financial performance in good years and bad years.

Kohut and Segars (1992:13) found that high performance annual reports tended to be overall wordier than low-performance reports, which suggest that good news messages give rise to more elaboration, whereas unfavourable results are presented in fewer words. They did not, however, find any significant differences in the length of words or sentences (ibid: 14). Kohut and Segars moreover observed a difference in the themes addressed in the annual reports of high and low performing companies. High performers were more inclined than low performers to make references to the past, and conversely, low performers tended to emphasize future opportunities over poor past financial results (ibid: 18).

Subramanian, Insley and Blackwell (1993) found that the mean readability levels were significantly higher when companies reported good news than when they reported bad news. Good news was presented early in the text and conveyed in short simple sentences, whereas bad news was conveyed in longer and more complex sentences, using many passives (Subramanian, Insley and Blackwell, 1993: 58). Thomas (1997) similarly found a higher frequency of passives in bad news messages than in good news messages.

Jameson (2000) compared shareholder reports of equity mutual funds whose returns were ambiguous (referred to as mixed-return shareholder reports) with those of funds whose results were unambiguously positive (top-return reports). She found that the mixed-return reports were less direct than the top-return reports because the two main themes – relative and absolute performance – were introduced later, and the spans between the main themes were longer in mixed-return reports than in top-return reports (Jameson, 2000: 18).

Based on a case study of the annual executive letter from a small New Zealand business, Crombie and Samujh (1999) argued that it can make strategic sense for a company to mention a number of minor problems and in this way distract attention from more serious ones. However, as indicated above there is a general tendency for companies to focus on positive aspects in narratives, and in studies by Hildebrandt and Snyder (1981), and more recently Rutherford (2005), it was found that positive words occur more frequently than negative words in letters to shareholders and OFRs respectively, regardless of the company's financial performance. Hildebrandt and Snyder also found, less surprisingly perhaps, that negative words are less frequent in good years than in bad years.

Bülow-Møller (2003) discussed the occurrence of human agents in grammatical subject position in letters to shareholders, and concluded that the management is only the dynamic subject in sentences describing positive developments. Explanations for unfavourable situations, on the other hand, must usually be found in external circumstances such as markets, unreasonable government intervention, the weather, etc. The underlying rationale behind this strategy seems to be the often adopted principle of taking credit for success, while denying responsibility for failure (Bülow Møller, 2003; Thomas, 1997).

2.3 Metadiscourse in letters to shareholders

Hyland (1998) analysed the use of metadiscourse in CEO's letters to shareholders, defining metadiscourse as the aspects of a text which go beyond the propositional content and signal the presence of the author (1998). Metadiscourse is thus used as "the cover term for the self-reflective expressions used to negotiate interactional meanings in a text, assisting the writer (or speaker) to express a viewpoint and engage with readers as members of a particular community" (Hyland, 2005: 37). It is a crucial device for influencing how readers understand the propositional content of a text (Hyland, 1998). Hyland distinguishes between two types of metadiscourse: interactive (originally, in Hyland 1998, referred to as 'textual') metadiscourse, which helps guide the reader through the text, e.g. *but*, *and*, *in addition to* and *finally*, and interactional (originally 'interpersonal') metadiscourse, which involves the reader in the text, and reveals the author's attitude towards the propositional content, e.g. *possible*, *in fact*, *unfortunately*, and the use of personal pronouns (Hyland, 2005).

In a comparison of CEOs' letter to shareholders with directors' reports – a compulsory account of financial and operational details required by the authorities – Hyland found a significantly higher proportion of metadiscourse in CEO's letter than in directors' reports. He proposes that this difference underlines the essentially rhetorical nature of CEOs' letters, the primary purpose being to "gain the reader's acceptance for the particular definition of reality preferred by the writer" (Hyland, 1998: 233).

In analysing how metadiscourse is used to (re)establish the author's credibility, Hyland found extensive use of first person pronouns in CEOs' letters compared with directors' reports. However, in years when the company's performance has not lived up to the expectations, a more diffident ethos is promoted, and first-person pronouns are rare (Hyland, 1998: 237). This finding is in line with Bülow-Møller's (2003) assertion that the management is only the dynamic subject in sentences describing positive developments, see above, and with Rutherford's (2005: 371) finding that the least profitable companies in his study made most use of the word *company*.

Based on the above literature review, I arrive at the basic assumptions that that the annual report is a complex genre with a dual informational-promotional function; that the letter to the shareholders primarily serves a promotional purpose as it presents the management's interpretation of selected events; and that the themes and linguistic strategies in letters to shareholders differ depending on the company's performance in a given year.

3 Research questions

In light of the assumptions presented above, the overall question which will be addressed in this study is the following: How have the themes and the language use changed in annual reports from Danske Bank during the period from 2004 to 2013. In other words, the study will explore

what the bank writes about in letters to shareholders, and *how* it writes about it. More specifically, the following questions will be addressed:

1. what are the themes discussed in letters to shareholders before, during and after the financial crisis, and how are they presented
2. which changes in linguistic features can be observed when comparing letters to shareholders from annual reports published before, during and after the financial crisis, and more specifically, which changes can be observed in the
 - use of interactional metadiscourse
 - use of charged words

4 Methods

The investigation was carried out by collecting and analysing narratives from Danske Bank's annual reports from 2004-2013 (English versions). In the sections below, I will provide a brief description of how the text corpus was collected and how the analyses were performed. More specific detail on methods will be provided in the relevant sections below.

4.1 Collecting the corpus

The corpus used for this study consisted of introductory narratives from Danske Bank's annual reports published from 2004 to 2013. The ten texts were retrieved manually by downloading the entire annual report, identifying the relevant section, and saving it in a format which was appropriate for analysis in WordSmith Tools (see below). The texts were referred to by different names in the years investigated: *Summary*, *Executive statement*, *To our shareholders*, and *Letter to our shareholders*, and the length of the texts varied greatly, from 738 to 1918 words (see below).

4.2 Analysing the corpus

The corpus analysis tools WordSmith Tools 6.0² were used to analyse the texts. Using the WordList and KeyWords functions in WordSmith Tools, it was possible to produce frequency profiles of the letters to shareholders. Depending on the nature of the analysis, frequency profiles were produced either for groups of texts, reflecting the three time periods (2004-2007; 2008-2011; 2012-2013), or for texts from individual years.

Where relevant, stopwords were excluded using WordSmith Tools' standard list of stopwords. Keywords were extracted by comparing the relevant frequency list with a reference corpus wordlist, *viz.* the British National Corpus.

The quantitative analyses performed with WordSmith Tools 6.0 were supplemented by qualitative interpretations of the data as will appear from the analyses and discussions below.

5 Results and discussion

5.1 Financial performance 2004-2013

The changes in themes and linguistic features will, as mentioned previously, be analysed in light of the bank's financial situation and the situation in the economy in general. Consequently,

² www.lexically.net/wordsmith/

this section will start with an overview of the development in Danske Bank's financial performance in the relevant years.

Different measures have been used in studies of accounting narratives to analyse and compare companies' financial performance, e.g. total revenue, return on assets, return on equity and net profit. In line with Subramanian, Insley and Blackwell (1993) and Rutherford (2005), I shall draw on the measures *net profit* and *return on equity* (RoE) to characterise financial performance and distinguish between good and bad years. In addition to this purely quantitative assessment, I will, where relevant, evaluate whether the group's performance in a given year meets, outperforms or underperforms the expectations expressed in the previous year(s).

As illustrated by Figure 1, following a steady increase from 2004 to 2007, the bank's net profit dropped dramatically in 2008, the year of the onset of the financial crisis. The financial hardship persisted until 2011 (with a slight pickup in 2010), and is not over yet, but since 2012, there has been a slight upward trend indicating that Danske Bank, along with other banks, is recovering from the crisis. This is supported by statements from the bank as well as from independent experts (Gardel, 2013; Nielsen, 2014). The RoE percentages largely corroborate the net profit developments.

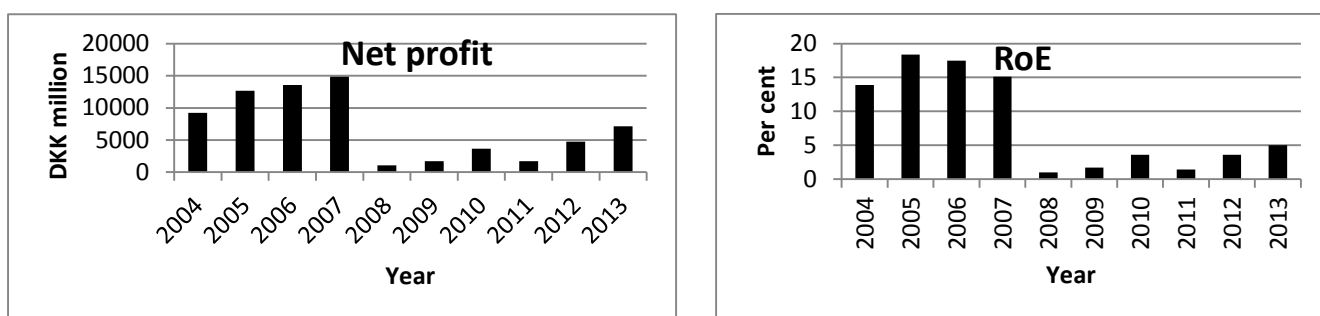


Figure 1 Development in Danske Bank's financial performance from 2004 to 2013

Based on the developments presented in Figure 1, as well as in the macro-economic trends in general, Danske Bank's annual reports can be grouped into three time periods: before the financial crisis (2004-2007), during the financial crisis (2008-2011) and after, or in the wake of, the financial crisis (2012-2013)³. The analyses of themes and linguistic features presented below will to a large extent follow this categorisation.

5.2 Focus and themes

The bank's annual report opens each year with an introductory text serving the function of a letter to the shareholders as described above. In the following sections, I will analyse developments in the themes and focus of these letters to shareholders.

5.2.1 Title

The first thing worth noting is that the introductory narrative is not necessarily referred to as a 'letter to shareholders' in the title, but has a number of different names in the years studied, as

³ It is debatable when and if the bank is past the financial crisis, but based on the profit and RoE developments shown in Figure 1, and statements from the bank and independent experts, I will categorise 2012-2013 as the 'post crisis' period.

illustrated by Table 1

| Year | Title |
|-----------|----------------------------|
| 2004-2009 | Summary |
| 2010-2011 | Executive statement |
| 2012 | To our shareholders |
| 2013 | Letter to our shareholders |

Table 1 Title of introductory narrative

‘Summary’ can be characterised as a neutral term which simply tells the reader that what follows is a short version of a longer text (in this case the financial review or even the full annual report). The term ‘Executive statement’, used in 2010 and 2011, focuses on the text having been authored by the executive management of the company, and thus giving the management’s interpretation of financial and operational developments. This is supported by the texts having been signed by the CEO and the Chairman of the board. Furthermore, the term ‘statement’ seems to signal that the text is formal and neutral.

When changing the title to ‘To our shareholders’ in 2012, focus is placed on the relationship between the bank and its shareholders, and the relationship is further personalized through the use of the personal pronoun ‘our’. In 2013, the word ‘letter’ is added in the title, thus again accentuating that the address to the shareholders is of a more personal nature. Below, I shall investigate whether the use of different titles in different years is associated with more comprehensive changes in readability, themes and language use.

5.2.2 Readability and length

In this section, I will briefly consider differences in the overall length and readability of the introductory narratives (Figure 2).

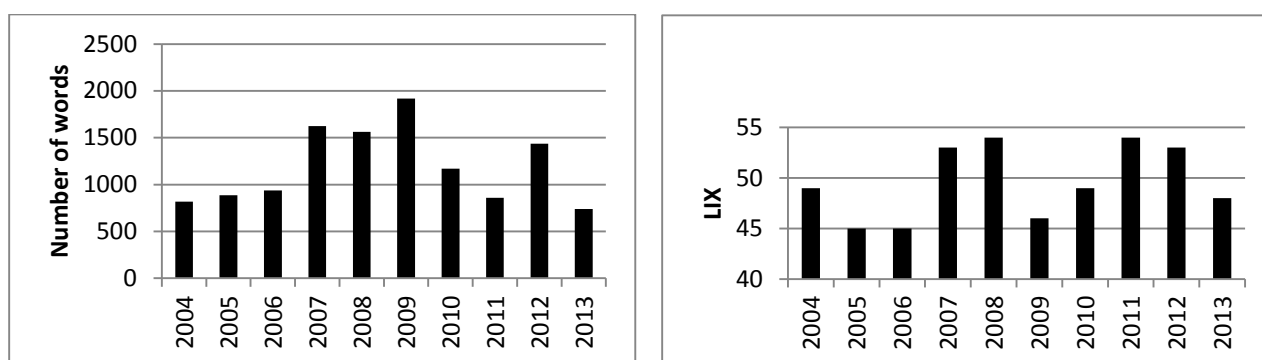


Figure 2 Number of words and LIX⁴ in introductory narratives 2004-2013

⁴ www.lix.se

In most years, there is a relationship between wordcount and LIX, in the sense that an increase (or decrease) in wordcount is generally accompanied by a decrease (or increase) in readability. An example of this is the marked increase in the length of the 'Summary' (from 936 to 1625 words) as well as in the LIX (from 45-53) observed from 2006-2007. At first sight, these changes do not coincide with the developments in financial performance reported above, as the drastic decline in net profit and RoE did not materialise until the 2008 report, cf. Figure 1 above. However, a closer look at the introductory narrative reveals that the increase in LIX and word count coincides with a shift from Danske Bank reporting exclusively positive results and record-setting profits from 2004-2006 as illustrated by the following examples:

- 1) "The Group realised a net profit of DKr10,558m, against DKr9,286m in 2003. This is the best financial result in the Group's history." (Annual Report 2004)
- 2) "The year 2005 was a particularly good year for the Danske Bank Group. The Group posted a net profit of DKr12,822m, which was the best result in the history of the Group." (Annual Report 2005)
- 3) "The year 2006 was another good year for Danske Bank Group." (Annual Report 2006)

to more moderate reports already in 2007, with the lurking financial starting to have an effect on the market conditions and the company's performance, notably in the fourth quarter. Hence in 2007, the bank's performance is no longer unambiguously positive, and although the net profit rose by 10% relative to 2006, the 2007 results did not live up to the group's expectations. The following examples illustrate how the group explains its performance in light of the market trends:

- 4) "The financial markets were very volatile in 2007. Despite these conditions, Danske Bank Group saw favourable developments in a busy and transformative year." (Annual Report 2007)
- 5) "The Group's market and life insurance operations were naturally affected by the turbulence in the financial markets, but still achieved growth and strengthened the foundation for future activities." (Annual Report 2007)
- 6) "The generally lower level of activity, higher funding costs caused by the considerable turbulence in the financial markets and higher expenses were the main reasons for the fall in the fourth quarter." (Annual Report 2007)

The turbulence in the markets and its effect on the performance at Danske Bank thus apparently lead to wordier and more difficult texts, with longer words and sentences and more detailed explanations, as illustrated for instance by the above examples.

2009, 2010 and 2011 are exceptions to the rule of word count and LIX moving together. In 2009, another difficult year in terms of financial performance, LIX dropped markedly, whereas the word count remained high; the introductory narrative can thus be characterized as a long text, kept in relatively simple language. In 2010 the financial performance improved, and the word count dropped to approx. the same number as before the crisis, whereas the LIX increased. The same pattern can be seen in 2011, however, without this being associated with better

financial results. From 2012 to 2013, there is a drop in word count as well as in LIX, coinciding with an improvement in the financial performance.

Although it is not entirely consistent, there seems to be a tendency for declining financial performance to result in longer and more detailed introductory narratives, whereas performance improvements are generally associated with a decline in the number of words. 2011 is the only clear exception to this rule. To some extent, LIX and word count follow each other, but, as already mentioned, 2009-2011 are exceptions to this rule. The findings generally contradict Kohut and Segars' (1992:13) observation that high performance reports tend to be wordier than low-performance reports, and that there is no relationship between performance and the length of words or sentences, i.e. readability (ibid: 14).

5.2.3 Recurrent themes

Based on Wordlists (excluding stopwords) produced in Wordsmith Tools, a number of recurrent themes could be identified by detecting words which occurred across all or most texts from all three time periods. As we shall see below, although these words were used consistently throughout the ten-year-period, considerable variation could be observed with respect to the frequency with which the items occurred in the texts, and how and when they were introduced.

A total of 16 words (excluding stopwords) occurred in all 10 texts. Furthermore, a number of words occurred in texts from all three periods, however not necessarily in all texts from each period. Table 2 below lists words which occurred in texts from all three time periods.

| 10 texts | 9 texts | 8 texts |
|-----------|--------------|-----------|
| GROUP | ITS | CUSTOMER |
| BANK | MARKETS | BANKS |
| DANSKE | NEW | DANISH |
| CAPITAL | ACTIVITIES | CREDIT |
| FINANCIAL | MARKET | RESULT |
| YEAR | END | DENMARK |
| CUSTOMERS | PROFIT | TOTAL |
| BANKING | CORPORATE | LOAN |
| BUSINESS | GENERAL | FOCUS |
| GROWTH | CONDITIONS | DIVIDEND |
| NET | THROUGH | DIRECTORS |
| ECONOMIC | LOW | FUTURE |
| BOARD | SHAREHOLDERS | EFFECT |
| EXPECTED | SATISFACTORY | ANNUAL |
| LEVEL | CONTINUE | PLATFORM |
| SHARE | | RISK |
| | | INCREASE |
| | | BASIS |
| | | VALUE |
| | | DEMAND |

Table 2 Words occurring in all three periods (2004-2007, 2008-2011 and 2012-2013), either in all ten texts, in nine of the texts or in eight of the texts.⁵

A number of these words occurred with largely the same relative frequency across the three periods being investigated, which in most cases is not surprising; for instance, it is to be expected that the use of general words such as *year*, *annual*, *business*, *economic*, *market*, *focus*, and *Denmark* will remain relatively stable irrespective of the performance in a given year (see Rutherford, 2005: 367). More remarkably, yet still in line with e.g. Hildebrandt and Snyder (1981) and Rutherford (2005), words with positive connotations, e.g. *increase* and *satisfactory*, also appear with the same frequency in texts from all three periods. A closer analysis of the frequency of charged words in the three periods will follow in the section on charged words below.

We will now focus the discussion on the recurrent items associated with most frequency variation across the time periods in order to investigate how and to what extent the prominence of a theme changes according to the bank's performance in a given year or period. Hence, words with standard deviations above 1.5 across all ten years were extracted. Subsequently, general,

⁵ The analysis in Wordsmith does not take multiword units, such as 'net profit' or 'Danske Bank' into account.

non-thematic words such as *year*, *through*, *end*, *basis*, *banking* and *corporate* were excluded. Furthermore, for the current analysis I excluded the recurrent and highly frequent words *Danske*, *Bank* and *Group*. In most cases these words indicate self-mention, which I will return to in the section on interactional metadiscourse. Thus, we are left with a list of eight recurrent items whose prominence varies markedly across the investigated periods: *profit*, *customer(s)*, *growth*, *Board*, *share(s)*, *shareholder(s)*, *result* and *loan*. Figure 3 illustrates the variation in the occurrence of these recurrent themes across the three periods.

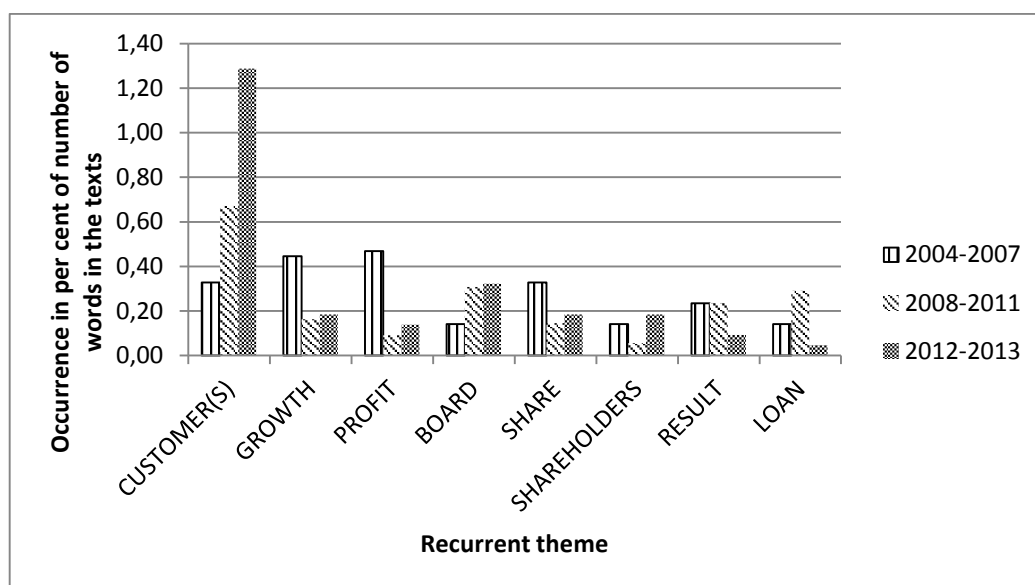


Figure 3 Occurrence of recurrent words as a percentage of total number of words in the texts from the three periods

The most pronounced variation is seen with respect to the words *customer(s)*, *growth* and *profit*. In the period from 2004-2007, the word *customer(s)* occurs between 1 and 6 times in the texts. In the period from 2008-2011, customers are mentioned 10-12 times in each of the texts. In 2012, the focus on customers peaks with no less than 20 occurrences of the word. In 2013, there is a decline to 8 mentions of the words. These changes in the mentioning of customers can be seen as a reflection of a general shift in the bank's focus. As mentioned in the introduction, when the financial crisis set in, the bank was criticised for losing money on faulty dispositions and letting the customers pay the bill for its hazardous risks. Conceivably, in order to remedy this reputation and bad image, more focus was put on customers in the difficult years during the financial crisis, and, in particular, in the post-crisis year. An example is the introductory paragraph from the annual report 2009:

“The year 2009 was unusual and challenging for the financial sector, for the Danske Bank Group and for many of its customers. The Group's earnings suffered considerably from the economic downturn, since business conditions were difficult for both the Group and its customers. Many customers saw their earnings – and their creditworthiness – deteriorate.” (Annual report 2009)

The increased focus on customers starting in 2008 moreover reflects a shift away from the focus on *profit* and *growth* seen in the high-performing period (2004-2007), cf. Figure 3. This change

is manifested not only in the number of occurrences, but also in the directness of presentation of the themes (Jameson, 2000). In the unambiguously high-performing years from 2004-2006, the *net profit* theme was introduced early in the text, usually in the first sentence (after 4, 13 and 11 words respectively); however, in 2007, the first mention of *net profit* was preceded by two paragraphs (61 words) describing the volatility and turbulence in the markets affecting the bank's activities, despite the increase in net profit. The number of words preceding the *net profit* theme peaked in 2008 (340 words), and was also high in 2009 (86 words). In 2010, the theme is again introduced relatively early (17 words preceding it), which coincides with the bank's performance improving compared to the previous year. In 2011 and 2012, the profit theme is absent. It reoccurs in 2013, where it is introduced late in the text (214 words). On the whole, the *net profit* theme is thus introduced early in the unambiguously positive years, whereas in years where the results are poor, or not clearly positive, it occurs later, or is even absent. These findings are generally in line with Jameson (2000), who found that the performance theme was introduced later when reports were not unambiguously positive.

A closer analysis of the word *growth* in context revealed that not all occurrences were related to the bank's growth; in a number of cases, the word was used to describe economic growth generally or in selected markets – or rather the absence of such growth. This use of the word has been excluded from the analysis, which led us to conclude that the *growth* theme has been absent since 2010. Similar to the *net profit* theme, a marked change can be observed from 2007 to 2008, with the growth theme being introduced much later than in the previous years. This is again in line with Jameson (2000).

Figure 3 above furthermore indicates that more focus is placed on the *Board* in narratives from low-performing than from high-performing years. A closer analyses of the context showed that in one year (2009), it is emphasised that the executive board has not received any bonuses. However, for the most part, the higher frequency of the word *Board* in low-performing years can be explained by more 'practical' issues related to the resignation of both the chairman of the Board of Directors and the CEO, as well as the appointment of a new chairman and CEO.

In the high-performing period from 2004-2007, the relatively high occurrence of the words *shares* and *shareholders* is generally associated with frequent mentioning of increases in earnings per share and distribution of dividends to shareholders. In the 2008-2011, earnings per share were historically low, and no dividend was distributed to shareholders; thus, little attention is drawn to the theme, and when mentioned it is mainly to describe the (mostly poor) developments in the price of the Danske Bank share. In 2012-2013, there is a slight increase in the use of the word *shareholders*, which coincides with the title of the introduction being changed to 'To our shareholders' (2012) and subsequently 'Letter to our shareholder' (2013), and the bank apparently addressing its shareholders more directly. There is also a slight increase in the occurrence of *share(s)* coinciding with an increase in earnings per share.

A small decrease could be observed in the frequency of the word *result* in 2012-2013. A closer analysis of the context reveals that *result* is sometimes used as a thematic word referring to the bank's financial performance, but just as frequently as a general, non-thematic word in constructions such as 'as a result of...'. Hence, the variation in use across the periods under investigation does not apparently reflect a shift in focus.

Finally, as can be seen in Figure 3, the use of the word *loan* is more prominent in the period from 2008-2011 than in the other periods. The leap in the number of occurrences of the word

(from two in 2007 to nine in 2008) coincides with the onset of the financial crisis, forcing the bank to write down on loans to corporate customers and financial counterparties, thus calling for increased focus on this theme during the years of the crisis.

5.2.4 Idiosyncratic themes

Themes which were idiosyncratic to one time period were also identified and analysed. The idiosyncratic items reveal first of all that the different periods have different content focus depending on certain external circumstances, which is, not surprisingly, reflected in the relative frequency of certain lexical items.

In the 2004-2007 period focus is for instance on *mergers*, *investments* and *purchase*, and the proper nouns *Sampo*, *Northern Bank* and *BG* occur frequently, because they are names of banks that Danske Bank acquired or merged with during this period. In all four years, the words *approval* and *approve* occur, either in connection with mergers and acquisitions or in connection with the Board approving distribution of dividend.

In 2008, the focus changes, and the most prominent lexical items are *guarantee*, *package(s)*, *bond(s)*, *subordinated (debt)*, *service*, *scheme* and *ICAAP*. This reflects the onset of the financial crisis, causing the Danish government to implement bank packages and issuing depositor guarantees, and more focus being put on the reporting of risks.

Thus, there is a clear shift in content focus from the high-performing years 2004-2007 to the years of the financial crisis in 2008-2011, which comes as no surprise. A more remarkable observation is that, unlike the two previous periods with their clearly identifiable thematic focus areas, the recovery years, 2012-2013, are not in the same way characterized by unique lexical items associated with certain events and developments. At the top of the list of idiosyncratic lexical items we find non-thematic words like *soon*, *aimed*, *top* and *steps*. Further down the list, we also find thematic words such as *profitability*, *upgrade*, *restoring*, *reorganisation*, *trust(ing)* and *prudent*, reflecting a focus on financial recovery, rebuilding of trust, and more cautious behaviour than before the crisis; thus, overall the post-crisis narratives are characterised by a vocabulary which is less technical and specialised.

As appeared in previous sections, the post-crisis narratives were also characterised by having the strongest focus on customers (as indicated by the high frequency of this word), and addressing the shareholders directly (as indicated by the titles). Overall, the language use in the post-crisis narratives thus appears to be less focussed on detailed explanations and interpretations of factual circumstances and events, and more concerned with the bank's relationship with shareholders and customers. The excerpts below from the 2008 and 2013 reports respectively serve to illustrate this change:

“The Danish state charges an annual guarantee commission of DKKr7.5bn. Through the Private Contingency Association, the participating banks are jointly and severally liable for payment of the commission and for a guarantee commitment of DKKr20bn, half of which falls due only if the losses incurred by the sector as a whole exceed DKKr25bn. The Danske Bank Group's share of the scheme is around one third. During the two-year guarantee period, the participating banks may not pay out dividends or buy back shares.”
(Annual report 2008)

“The year 2013 was a year of change and progress for Danske Bank. We took important steps towards executing our strategy aimed at fulfilling our vision to become the most trusted financial partner. We will continue to focus relentlessly on meeting customer needs, simplifying operations and becoming more efficient.” (Annual report 2013)

This apparent change in strategy with more focus on relationship-building will be further analysed in the section on interactional discourse markers below.

5.3 Linguistic features

In the previous sections, the focus has been on Danske Bank’s selection and presentation of content themes in introductory narratives from 2004-2013. The following section will investigate whether the changes in themes are accompanied by changes in language use, more specifically the use of metadiscourse markers and the occurrence of charged words.

5.3.1 Interactional discourse markers

In order to further examine the shift to a less technical and more personal writing style in the post-crisis years 2012-2013, I looked into the occurrence of interactional discourse markers used by authors to express their viewpoints and to involve readers in the unfolding text (Hyland, 2005: 49). Hyland distinguishes between a number of categories of interactional discourse markers. In this analysis, the attention will be focussed on *a)* self-mention, making explicit reference to the author, e.g. by means of first person personal pronouns; and *b)* engagement markers, addressing readers as participants in an argument, e.g. by means of second person personal pronouns and inclusive *we*, pulling readers into the discourse at critical points or by referring to shared knowledge (Hyland, 2005: 52-54).

Self-mention

Explicit reference to the author, Danske Bank, occurs either by means of the personal pronouns *we*, *our* and *us*, or by referring to the bank in the third person as *the Group*, *Danske Bank*, or simply *the Bank*, or by means of the pronoun *it*.

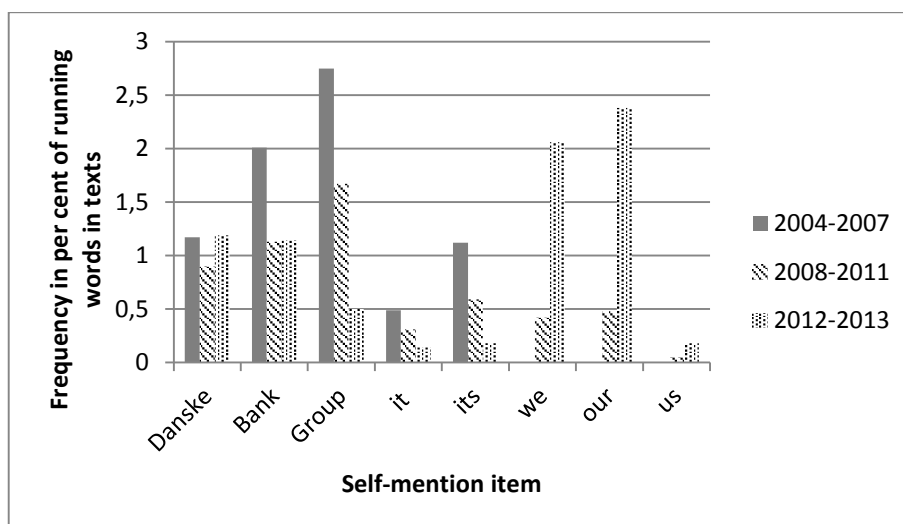


Figure 4 Frequency of self-mentions as a percentage of running words in the text

As illustrated by Figure 4, in the 2004-2007-period, the bank exclusively refers to itself in the third person, as *Danske Bank*, *the Bank* or *the Group*, whereas there were no occurrences of

first person pronouns. The first use of first person pronouns to mark author presence is in 2010; however, third person reference is still dominant throughout the crisis-period (2008-2011). This changed markedly in 2012-2013, where the bank made extensive use of first person pronouns as a means of self-representation.

The relatively infrequent occurrence of first person pronouns in the years of the crisis (2008-2011) compared with the years of recovery (2012-2013) is in line with the findings of Hyland (1998) and Rutherford (2005) reported above: In the more favourable and promising post-crisis years, the company seeks to accentuate its ethos, whereas in the least profitable years, a more diffident ethos is promoted (Hyland, 1998: 237), and the company refers to itself mainly in the third person (Rutherford, 2005: 371). Based on Hyland (1998) and Rutherford (2005), one would have expected that the very successful pre-crisis years would be characterised by an equally or even more extensive use of first person pronouns than in 2012-2013, but contrary to these expectations, the bank refers to itself exclusively in the third person.

The marked increase in first person pronouns in 2012-2013 seems to reflect not only that the bank is reinforcing its ethos in light of more positive financial developments, but also a general preference for using a more personal writing style. This is in keeping with the general tendency argued above, namely that in the post-crisis narratives the bank attempts to rebuild its relationship with shareholders and customers.

Engagement markers

Seeing that the audience of the annual report could be any of the bank's stakeholder groups, including shareholders, customers and employees (Laskin, 2009; Lischinsky, 2011), mentioning of these stakeholders are, for the purpose of this analysis, considered as devices used to address readers. The use of the personal pronoun *you* and inclusive *we* are also generally considered engagement markers, but there were no occurrences of these pronouns in any of the analysed texts.

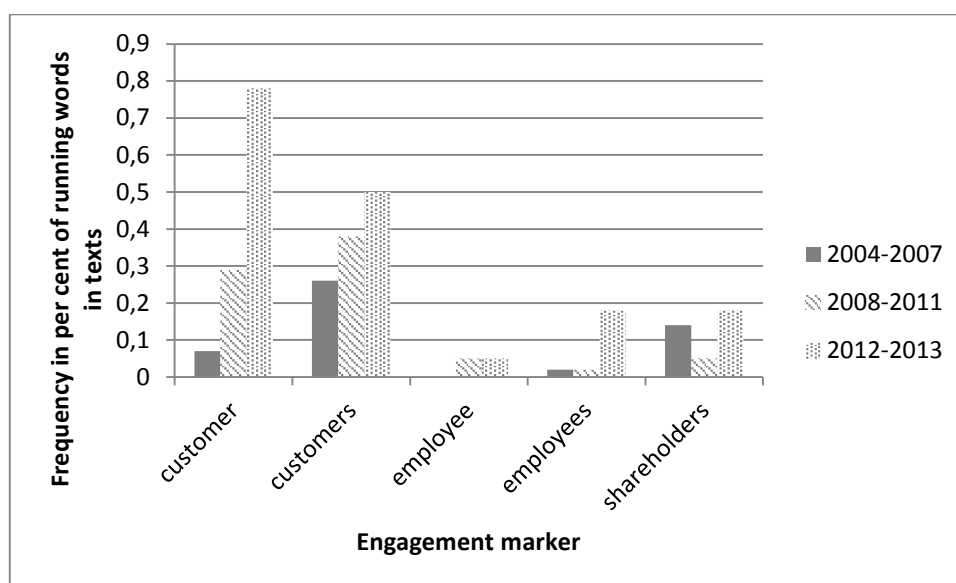


Figure 5 Frequency of engagement markers as a percentage of running words in the text

As has been shown previously, *customers* (both in singular and plural form) receive more attention in narratives from the post-crisis years than in the other two periods. Similarly, *employees* (plural) are mentioned more frequently in the 2012-2013-reports than in the other periods, whereas *employee* (in the singular) occurs with the same frequency during the crisis (2008-2011) and after the crisis (2012-2013), but is not used in the pre-crisis reports (2004-2007). *Shareholders* (occurring only in the plural) are mentioned with approximately the same frequency in the pre-crisis and the post-crisis years, but less often during the crisis. Overall, the percentages in Figure 5 indicate that engagement with readers is more frequent in 2012-2013 than in the other two periods, which further substantiates the claim that the post-crisis reports are more personal and focussed on relationship-building.

In addition to these concrete manifestations of reader involvement, qualitative analyses also suggested a stronger tendency in the post-crisis years to engage with readers from different stakeholder groups. Examples of the bank addressing the employees directly are:

“The employees at Danske Bank delivered a great effort in 2012 despite many changes and – in some markets – a challenging public debate.” (Annual report 2012)

“(...) we thank all employees for their efforts and resilience.” (Annual report 2012)

“We would like to express our gratitude to all our employees for their dedication and hard work during these challenging times” (Annual report 2013)

and an example of customer involvement is the following:

“We will continue to focus relentlessly on meeting customer needs” (Annual report 2013)

Other examples of reader involvement are “It is however important to remember that...” and “Considering that conditions for financial services business have changed...”, both from the 2013 report. While these are not addressing a particular stakeholder group, it should be remembered that the narratives from 2012 and 2013 directly address the shareholders, as indicated by the titles (‘To our shareholders’; ‘Letter to our shareholders’). Thus, it may be argued that engagement with readers is generally aimed at shareholders unless another stakeholder group is specifically mentioned, and this could be the reason why ‘shareholders’ are not mentioned as frequently as the other stakeholder groups.

5.3.2 *Charged words*

When analysing and comparing the occurrence of recurrent and idiosyncratic themes above, some preliminary observations were made with respect to the use of words with positive connotations. In this section, I will further investigate the occurrence of charged words.

Five independent persons (four linguists and a financial expert) were asked to categorise words (excluding stopwords) which were idiosyncratic to one of the three time periods as either *neutral*; *positively charged*; *negatively charged* or simply *charged*. The latter category included words which the respondent did not consider to be entirely neutral, but which could also not be categorised as positive or negative, e.g. *culture* and *transformative*. In comparison, words such as *favourable* and *trust* were categorised consistently as *positively charged*, and *weak* and *turmoil* as *negatively charged*. There was substantial variation across the respondents with respect to their use of the different categories. For instance, one respondent (R2) assigned the *charged* label only four times in all three periods and instead used the *positively charged* and

negatively charged categories, whereas another (R5) made extensive use of the *charged* label (43 times altogether), and used *negatively charged* and *positively charged* less frequently.

All idiosyncratic words from each of the three periods were presented to the respondent in a list, i.e. out of their context. Consequently, judging whether a word had positive or negative connotations was not always a straight-forward task. The respondents were asked to give their ‘gut reaction’ and base their judgments purely on their immediate intuitive response. Once the respondents got used to the task, they did not have major problems assigning words to the different categories.

First of all, I looked at the distribution of charged words (*positively charged*, *negatively charged* and simply *charged*) and neutral words in the three periods (Figure 6). Of the 276 idiosyncratic words presented to the respondents, 47 words, on average, were marked as charged. This average covers a good deal of variation across the respondents. However, all five respondents agreed that the highest proportion of charged words – and hence the lowest proportion of neutral words – was found in the post-crisis years (2012-2013). This finding corresponds well with the claim that the language use in texts from the post-crisis reports reflects a change in writing style, using fewer technical words and engaging more with readers by means of interactional discourse markers.

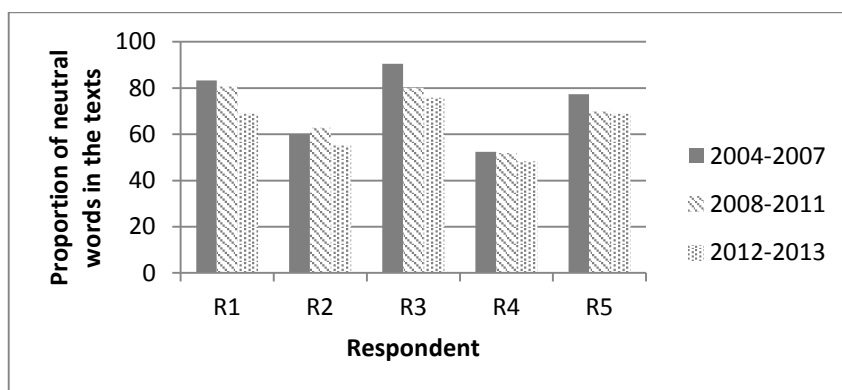


Figure 6 Percentage of words categorised as neutral (as opposed to words categorised as charged)

Furthermore, four out of five respondents found that the highest proportion of neutral words was found in the pre-crisis years (2004-2007), which was also the period with fewest engagement markers. All in all, narratives from the successful pre-crisis years seem to favour the most neutral writing style with little engagement with readers, preference for non-charged words, and also the most neutral title (‘Summary’).

As already mentioned, I also asked the respondents to mark charged words as either positive or negative (to the extent that they found it possible to do so). All five respondents agreed that by far the highest proportion of negatively charged words was found in the 2008-2011 period, i.e. during the crisis. This was to be expected, and is also in line with Hildebrandt and Snyder (1981). Furthermore, four out of five respondents found that the post-crisis period contained considerably more positively charged words than any of the other periods, despite the fact that the bank’s financial performance was evidently much stronger in the pre-crisis years (2004-

2007). This further supports the claim of a neutral and factual writing style during this period, as opposed to a more subjective and personal writing style preferred in the 2012-2013-period.

Hildebrandt and Snyder (1981) found that companies generally tended to focus on positive aspects in narratives, and Rutherford (2005) found that positive words occur more frequently than negative words, regardless of the company's financial performance. An analysis of the proportion of positive and negative words in the three periods (Figure 7), showed, in line with Hildebrandt and Snyder (1981), that, overall, positive words clearly dominated.

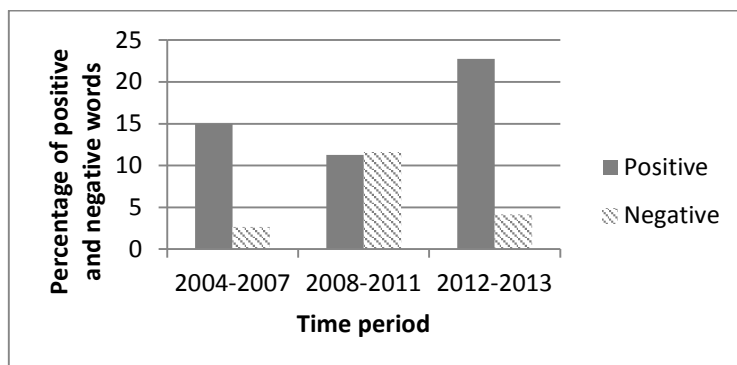


Figure 7 Percentage distribution of positive and negative words in the three time periods (means for the five respondents)⁶

However, in the 2008-2011-period, negative words were found by four out of the five respondents to slightly outweigh the positive, and on average the distribution was found to be more or less even. This does not unambiguously confirm Rutherford's (2005) findings, but it is worth noting that even in years of severe financial hardship, positive words were found to be almost as frequent (and according to one respondent more frequent) as negative ones.

6 Conclusions

A comparison of the high-performing pre-crisis period (2004-2007) and the period of the financial crisis (2008-2011) reveals a shift in terms of *a*) word count and LIX, *b*) the prevalence of recurrent themes, and the level of directness for central recurrent themes (*growth* and *profit*), and *c*) the nature of idiosyncratic themes. A marked increase in word count and LIX, as well as later introduction of the *net profit* theme could be observed already in the 2007 report, reflecting the bank's concerns about instability in the external economic environment before this had materialised in the bank's own financial performance. The 2008-2011-period also saw a stronger emphasis on customers.

When comparing the recovery period (2012-2013) with the two previous periods, several notable changes were observed: non-thematic words such as *soon*, *aimed* and *steps* occurred with higher relative frequency than thematic words; the most prevalent thematic words were words such as *restoring*, *trust* and *prudent*, and *customers* were mentioned more frequently than in previous years. On the whole, the bank seemed more concerned with rebuilding trust with customers and shareholders and re-establishing its ethos, than with reporting on concrete events and developments. This is supported by the analysis of interactional discourse markers which

⁶ The percentages shown in Figure 7 represent only two of the four categories which the respondents could choose between, which is why the percentages do not add up to 100. In addition to *positively charged* and *negatively charged*, the respondents could also assign the labels *charged* and *neutral*.



showed an increase of self-mentions and engagement markers in 2012-2013, and thus generally a preference for a more personal writing style. Furthermore, the analysis of charged and neutral words revealed that the 2012-2013-period was considered by all five respondents to contain the highest number of charged words, most of which were positively charged.

Together, these developments can be interpreted as a general genre shift from relatively impersonal, factual expositions, using fairly technical and neutral vocabulary, into a more personal, engaging and letter-like address to shareholders, using a less specialised vocabulary and more charged words. The change is further supported by the new titles in 2012 and 2013 ('To our shareholders' and 'Letter to our shareholders'). Or, seen from the opposite perspective, the change in titles reflects a more fundamental shift in genre and communicative purpose. In the summaries from 2004-2007, the dominant communicative purpose and strategy was, it seems, to provide 'a true and fair view' (Ditlevsen, 2012: 97), i.e. an informational and neutral account of the situation in the company, which was very favourable at the time; hence the relatively high number of positively charged words. In the years of the crisis (2008-2011), the vocabulary was still dominated by thematic expressions, and the style was factual and largely non-personal. However, the relatively high frequency of positively charged words considering the disastrous financial situation that the bank was in, and the slight increase in engagement markers, reflects a move towards a more persuasive purpose. In 2012-2013, the communicative purpose and strategy had shifted into being primarily promotional, aiming mainly at providing 'a positive image of the company' (Ditlevsen, 2012: 97). Consequently, although the financial performance was a long way from the pre-crisis level, the number of positively charged words by far outweighed the number of negative words, and interactional discourse markers were used frequently as an engaging and persuasive device.

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